CONCLUSIONS of a Meeting of the Cabinet held at Admiralty House, S.W. 1, on
Tuesday, 5th September, 1961, at 11 a.m.

Present:

The Right Hon. HAROLD MACMILLAN, M.P., Prime Minister

The Right Hon. VISCOUNT KILMUIR, M.P., Secretary of State for Foreign Affairs

The Right Hon. THE EARL OF HOME, M.P., Secretary of State for Scotland

The Right Hon. JOHN MACCLAY, M.P., Secretary of State for the Colonies

The Right Hon. IAIN MACLEOD, M.P., Secretary of State for Defence

The Right Hon. HENRY BROOKE, M.P., Secretary of State for Commonwealth Relations

The Right Hon. JOHN HARE, M.P., Secretary of State for the Colonies

The Right Hon. EDWARD HEATH, M.P., Secretary of State for Scotland

The Right Hon. PETER THORTNCROFT, M.P., Secretary of State for Defence

The Right Hon. REGINALD MAUDLING, M.P., Minister of Labour

The Right Hon. ERNEST MARPLES, M.P., Minister of Transport

The Right Hon. MARTIN REDMAYNE, M.P., Parliamentary Secretary, Treasury

Also present:

The Right Hon. SIR NORMAN BROOK
Mr. F. A. BISHOP
Mr. J. H. WADDELL
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Congo Republic

(Previous Reference: C.C. (61) 27th Conclusions, Minute 7)

1. The Foreign Secretary said that, under the presidency of Mr. Kasavubu, a Congolese Government had been established with Mr. Adoula as Prime Minister and Mr. Gizenga as his deputy. There was now a possibility of union in the Congo if satisfactory relations could be established with the provincial Government of Katanga. The Secretary-General of the United Nations, Mr. Hammarskjold, had taken steps to remove Mr. Tshombe's foreign military advisers. This was consistent with the United Nations resolution of 21st February. But there was some danger that the local United Nations authorities might take similar action in respect of his civilian advisers; and this could be represented as an intervention in the internal political affairs of Katanga. He proposed, during his forthcoming visit to New York, to warn Mr. Hammarskjold accordingly and to impress it on him that the economic and political stability of Katanga depended on the maintenance of the present administration. There was some risk that the efforts of the United Nations authorities to promote unity in the Congo might weaken the administration in Katanga to such an extent as to create in that province the same conditions of disorder as obtained in the other parts of the Congo. Nevertheless, it was in our interests to establish a united Congo, and we should therefore encourage Mr. Tshombe to establish satisfactory relations with the new central Government. It was Mr. Hammarskjold's intention in due course to take similar action to prevent Mr. Gizenga from pursuing policies independent of the central Government.

The Commonwealth Secretary said that the Prime Minister of the Federation of Rhodesia and Nyasaland, Sir Roy Welensky, sympathised with Mr. Tshombe's aspirations for the independence of Katanga. He would continue to try to persuade Sir Roy Welensky not to give undue encouragement to Mr. Tshombe.

Discussion showed that there was some apprehension that the policy of the United Nations authorities might lead to the breakdown of the current administration in Katanga and encourage the increase of Communist influence in the central Government. There was, however, general agreement that our primary interest was to prevent the extension of the cold war into the Congo, which would be likely to follow the establishment of rival Governments there. We should therefore encourage Mr. Tshombe to co-operate with the new central Government.

The Cabinet—
Took note of the Foreign Secretary's statement and of the points raised in discussion.

Disarmament

Nuclear Tests

(Previous Reference: C.C. (61) 20th Conclusions, Minute 3)

2. The Foreign Secretary said that, while the Soviet Government's resumption of nuclear tests might be due in part to a desire to improve their military position, it was likely that it was also a deliberate attempt to intimidate neutral Governments in the hope that they would bring pressure on the Western Powers to accept a negotiated settlement of the Berlin question on terms favourable to the Soviet bloc. The Soviet decision had, however, given the West a considerable propaganda advantage. It was unlikely that the Soviet Government would accept the proposal made by the United States and United Kingdom Governments for a cessation of nuclear tests in the atmosphere. In that event further advantage might be derived if those Governments could continue to refrain from making such tests.

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The Right Hon. The EARL OF HOME, Secretary of State for Foreign Affairs
The Right Hon. JOHN MACLAY, M.P., Secretary of State for Scotland
The Right Hon. IAIN MACLEOD, M.P., Secretary of State for the Colonies
The Right Hon. HENRY BROOKE, M.P., Minister of Housing and Local Government and Minister for Welsh Affairs
The Right Hon. PETER THORNEycROFT, M.P., Minister of Aviation
The Right Hon. REGINALD MAULDING, M.P., President of the Board of Trade
The Right Hon. EDWARD HEATH, M.P., Lord Privy Seal

The Right Hon. SELWYN LLOYD, Q.C., M.P., Chancellor of the Exchequer
The Right Hon. VISCOUNT HAILSHAM, Q.C., Lord President of the Council and Minister for Science
The Right Hon. DUNCAN SANDYS, M.P., Secretary of State for Commonwealth Relations
The Right Hon. HAROLD WATKINSON, M.P., Minister of Defence
The Right Hon. SIR DAVID ECCLES, M.P., Minister of Education

The Right Hon. LORD MILLS, Paymaster-General
The Right Hon. JOHN HARE, M.P., Minister of Labour
Dr. The Right Hon. CHARLES HILL, M.P., Chancellor of the Duchy of Lancaster.

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The Cabinet—
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2. The Foreign Secretary said that, while the Soviet Government's resumption of nuclear tests might be due in part to a desire to improve their military position, it was likely that it was also a deliberate attempt to intimidate neutral Governments in the hope that they would bring pressure on the Western Powers to accept a negotiated settlement of the Berlin question on terms favourable to the Soviet bloc. The Soviet decision had, however, given the West a considerable propaganda advantage. It was unlikely that the Soviet Government would accept the proposal made by the United States and United Kingdom Governments for a cessation of nuclear tests in the atmosphere. In that event further advantage might be derived if those Governments could continue to refrain from making such tests.

The Commonwealth Secretary said that the protests made by neutral countries, at their conference in Belgrade, against the Soviet decision to resume testing were markedly less vigorous than those which they would have made against a similar decision by the United...
States or United Kingdom Government—or, indeed, than those which they had made against the French nuclear tests in the Sahara. This point might be made in private representations to those Governments.

In further discussion it was suggested that there might be advantage in tabling a resolution in the United Nations urging the cessation of all nuclear tests in the atmosphere. If such a resolution were disregarded by the Soviet Government, it need not inhibit the United States authorities from conducting such tests if they decided that they were essential for military purposes. In any event it was understood that the United States authorities had no need to conduct further nuclear tests in the near future. There might, on the other hand, be disadvantage in tabling such a resolution, since the Soviet Government might propose an amendment calling for the cessation of all nuclear tests without effective control. An amendment of this sort, which the United States and United Kingdom Governments could not accept, would have great emotional appeal for many neutral countries.

The Prime Minister said that a message should be sent to the United States Government suggesting that, if the Soviet Government did not accept the joint proposal to refrain from atmospheric nuclear tests, consideration should be given to the means of extracting further political advantage for the West from the Russian resumption of testing. It was to be hoped that time would be allowed for full consideration of this question before the United States authorities decided to resume nuclear testing on their own account.

The Cabinet—

1. Invited the Foreign Secretary to submit to the Prime Minister a draft message to the United States Government on the lines which he had indicated.

2. Invited the Minister of Defence to submit to the Prime Minister an appreciation of the need of the United States authorities to resume nuclear tests.

3. The Cabinet had before them a memorandum by the Foreign Secretary (C. (61) 152) on the Berlin situation.

The Foreign Secretary said that the United States Government had abandoned their earlier concept of meeting any obstruction to Allied access to Berlin by a military probe. Instead the United States Secretary of State, at the recent meeting of Foreign Ministers in Paris, had proposed a double-barrelled policy of building up the military strength of the North Atlantic Alliance while at the same time being ready for negotiations. The purpose of increasing the state of military preparedness was both to dissuade the Soviet Government from aggressive unilateral action and to bring pressure on them pending negotiations, and also to provide a wide range of military action in the last resort. Various steps were being progressively taken to reinforce United Kingdom forces in Europe, including the despatch of a surface-to-air guided weapons regiment, the earmarking of two anti-aircraft regiments, and the provision of certain additional aircraft. But these did not represent a significant increase in the strength of the British Army of the Rhine (B.A.O.R.) and did not fully meet the requests for additional efforts which had been made to us. The difficulty was that B.A.O.R. could not be brought up to full strength without calling up reserves or reintroducing some form of compulsory military service.
In view of the strong opposition of the French Government to the initiation of negotiations on Berlin, the United States Government had not yet carried out their intention to make an early public move in this direction. It had, however, been arranged that the Western Foreign Ministers should meet in Washington on 14th September to discuss possible solutions for Berlin, and the United States Ambassador in Moscow would shortly take soundings of Mr. Khrushchev to ascertain whether there could be an early opportunity for discussing with the Soviet Foreign Minister means by which negotiations might be brought about. It seemed clear that, sooner or later, negotiations would take place, but it might be best for these to be concentrated on the narrow issue of the presence in Berlin of Western forces and their means of access, rather than on the even more difficult problems of self-determination and the reunification of Germany.

The Cabinet first discussed the question of further military preparations. There was general agreement that it would be premature to call up reservists or to reintroduce compulsory military service. These measures would require the approval of Parliament, and there would be serious disadvantage in allowing an opportunity for debate on Berlin while the prospects of negotiation were still uncertain. Some further steps might be taken to increase the strength of our forces in Germany over the next few months by drawing individual specialists and technicians from other theatres. We could also make it plain that we should be prepared to call up reservists and to introduce some form of compulsory military service if the situation became critical.
appear reluctant to participate in the planning of economic counter-measures on the lines approved by the Western Foreign Ministers in Paris.

The Cabinet then discussed the problem of initiating discussions with the Soviet Government. There was general agreement that, while the French Government were justified in asserting that negotiations were likely to entail concessions by the West, the risk in present circumstances of accidental hostilities was considerable and justified the view, which was shared by the United States and West German Governments, that negotiations should if possible be arranged without delay. On balance it seemed that there would be advantage in seeking a settlement before the Soviet Government had signed a peace treaty with East Germany, since this would be more likely to provide Soviet guarantees for such Western rights in relation to Berlin as might be secured in negotiation.

The Cabinet—

(1) Invited the Foreign Secretary to arrange for the Berlin Contingency Planning (Non-Military Counter-Measures) Committee to submit to him, for the meeting with Western Foreign Ministers in Washington on 14th September, a detailed brief on the disadvantages of a complete economic embargo against the Soviet bloc and the advantages of the application of economic counter-measures to East Germany.

(2) Invited the Foreign Secretary, at the meeting of Western Foreign Ministers in Washington on 14th September, to be guided by the views expressed in their discussion.

4. The Cabinet had before them a memorandum by the Foreign Secretary (C. (61) 131) on Chinese representation in the United Nations.

The Foreign Secretary said that, at the forthcoming meeting of the United Nations General Assembly, it would not be practicable to use again the moratorium device which had hitherto been successful in procuring deferment of the question of Chinese representation. There would not now be enough support for this. The United States Administration had therefore been considering possible alternatives and had suggested that the Assembly should be asked to declare by simple majority that the subject of Chinese representation was an "important question", with the result that any resolution dealing with it would require a two-thirds majority. They would then muster a blocking one-third of the votes to exclude the Peking Government this year, and subsequently would have the matter referred to a commission which would examine it in conjunction with the criteria for membership of the United Nations and the composition of United Nations councils, of which China was a member by specific provision of the Charter.

A move of this kind might well be attacked as merely another device to preclude substantive discussion, and the voting arrangements entailed by it appeared far from reliable. Moreover, the United Kingdom Government had publicly stated their own view that the Chinese seat should be held by the Peking Government. On the other hand, the proposition that Chinese representation was an "important question" was incontrovertible, and none of the possible alternative courses of action seemed preferable. No form of resolution based on a "successor State" conception would be accepted by the United States Administration or, probably, by either of the Governments in Peking or Formosa, and a straight vote on Chinese representation, with the United States and the United Kingdom Governments in direct conflict, would be most damaging.

In discussion it was the general view of the Cabinet that, in spite of the drawbacks of the proposal and the likely division of opinion
within the Commonwealth upon it, the right course would be to support the United States proposal on the understandings set out in paragraph 10 of C. (61) 131.

The Cabinet—

Approved the recommendation made in paragraph 10 of C. (61) 131.

5. The Cabinet had before them a memorandum by the Minister of Defence (C. (61) 133) outlining the military dispositions which would be required in future in order to maintain our capacity to forestall an attack by Iraq on Kuwait.

The Minister of Defence said that the Ruler of Kuwait had now agreed that a stockpile of British equipment might be established in Kuwait, and that a small number of technicians might be stationed there to maintain it. The cost of this would be defrayed by the Ruler. It was desirable that this should be in position before the Arab League forces entered Kuwait.

As regards the other dispositions outlined in his memorandum, the Minister said that he was satisfied that these would be necessary if we had to be in a position to put a substantial force into Kuwait within 36 hours' notice. He hoped, however, that before becoming finally committed to those dispositions Ministers might be able to review the continuing need for that requirement when it was known what sort of force the Arab League would put into Kuwait and for how long it was likely to remain there.

In discussion it was suggested that, as Kuwait had now joined the Arab League and invoked its protection, the special relations which we had previously had with the Ruler might be affected. A new political situation might develop in which we should be less likely to be called upon to safeguard the independence of Kuwait by military means. We might have to rely increasingly on political methods of securing our interests in Kuwait. In the longer term we should weigh the value of those interests against the future cost of being prepared to maintain Kuwait's independence by military means. While it would continue to be necessary to maintain some military presence in the Persian Gulf in order to safeguard our oil interests generally, a fresh political assessment might show that it was unnecessary to maintain a military deployment on the full scale envisaged in C. (61) 133.

The Cabinet—

(1) Agreed that immediate steps should be taken to establish a stockpile of British equipment in Kuwait, on the basis accepted by the Ruler.

(2) Invited the Foreign Secretary, in consultation with the Chancellor of the Exchequer and the Minister of Defence, to consider whether our military commitments in the Persian Gulf should now be redefined in the light of probable changes in our relationship with Kuwait.

6. The Chancellor of the Exchequer said that the full effect of the measures he had announced before the recess could not yet be seen but current indications of the state of the economy were on the whole encouraging. There was somewhat less pressure on employment, though this was due partly to the seasonal addition of school leavers. Production during the second quarter of the year showed a slight increase over the first quarter. There had been an appreciable
reduction in the level of bank advances. Exports and imports in July had shown a better balance—more, however, because of a reduction in imports than because of an increase in exports. The general position of sterling was improving and there had been a reasonable accretion to the reserves in the previous month. Serious difficulties would, however, be encountered over the next six months, since the international situation might aggravate the inevitable seasonal pressures on the reserves. He was conscious, in particular, of the disadvantages of the high interest rate on finance for exports.

The Chancellor then described the discussions he had held in recent weeks about the wages pause and economic planning.

Within the Civil Service the associations representing non-industrial civil servants had expressed strong objections of principle to the Government's interference with arbitration but were unlikely to go beyond public protests. Industrial civil servants had shown less concern for the principles of arbitration and were taking the effects of the pause slowly, and so far moderately. There was, however, one particular issue which would require further consideration. The rates of pay of about 100,000 industrial employees were settled by automatic reference to increases in outside rates of pay, under an agreement which did not expire until 1964. The Wages Committee would consider on 7th September whether it would be right to act in breach of the agreement and to withhold the increases which would in the ordinary way be due in October.

In the private sector the employers' organisations were accepting the need for a pause and were advising their members to encourage compliance with the Government's policy. On the union side, the response had been better than might have been feared. But there was a danger of a conflict in the early autumn in the electricity industry, where staffs would be able to argue that increases in pay, reflecting the increase in productivity, could well be afforded.

As regards planning, he had put before both sides of industry a proposal that there might be an independent body charged with the duty of producing and publishing economic plans, and an alternative proposal that there might be a two-tier planning organisation, comprising at the upper level representatives of both sides of industry under the chairmanship of a Minister, and at the lower level an economic planning staff, not under direct Government control but including civil servants as well as people seconded from industry. This alternative form of organisation might work on lines similar to those adopted in France, with sub-committees which would go into details with representatives of particular industries. Employers' representatives had welcomed the prospect of participating in a planning organisation of this kind. Trade union representatives, while expressing strong criticism of the Government's policy, had not rejected the idea of participation but had asked for time to think about the proposals. He was anxious to maintain the momentum of this approach and proposed to send letters to both sides of industry at the end of September giving a more detailed account of the proposed two-tier planning organisation and inviting discussion of it early in October. He had it in mind that the new organisation should supersede the Economic Planning Board and the Council on Prices, Productivity and Incomes, but that the National Joint Advisory Council and the National Production Advisory Council for Industry would be retained.

In discussion the following points were raised:

(a) In spite of the favourable reception given in many quarters to the system of economic planning in France, it might be prudent, as a matter of presentation, not to lay much stress on the French model.

(b) In some branches of the engineering industry there seemed to be scope for reduction in the number of firms engaged and it might
be necessary to undertake a programme of amalgamations, such as had been adopted in the aircraft industry.

d) To maintain a rate of interest for finance for export which was related to Bank rate was a disincentive to exporters; and the possibility of providing finance for exports at favourable rates of interest should be examined urgently.

e) Any planning organisation of the kind now contemplated would be concerned with technological development in industry. The Research Councils could make a contribution here, and thought should be given to the means of linking them up with the new organisation.

(f) It was desirable that, before any further proposals were made to industry, the Economic Policy Committee should have an opportunity of considering in detail the structure and functions of the proposed economic planning organisation.

7. The Minister of Education said that at a meeting on the previous day with representatives of local education authorities and teachers he had made it clear that the Government would not increase the offer of salary increases totalling £42 millions, and he had rejected a series of suggestions which had been put to him—viz., that the offer might be made effective at an earlier date; that payment of the additional £5½ millions might be authorised but not actually made until after the end of the pause in wage and salary increases; and that, if the Government must withhold approval for the £5½ millions, they might agree that the saving should be met mainly from increases which had been proposed in differentials for graduates instead of wholly at the expense of basic scales.

After the meeting it had been suggested to him that, if the Government could agree to abate the differentials and increase the basic scales, there was some possibility that the teachers would feel able to accept the limitation to £42 millions. He was satisfied that it would be wrong on merits to make this concession, but he recognised that the gap between the Government and the teachers could be represented as a small one and the Cabinet might feel that it was expedient to make this concession in order to obtain a settlement. He understood that the teachers' reason for pressing for it was to establish that, while the Government might properly determine the total sum to be awarded, they should not control its detailed distribution.

Discussion showed that it was the general view of the Cabinet that the Minister should maintain the position which he had taken up.
in regard to differentials. There were indications that opinion in the
country was coming round to support the Government’s view on that
point, and it would be a tactical mistake to give way.

The Cabinet—
Agreed that the Minister of Education should maintain his
refusal to authorise abatement of the proposed amounts of
the differentials for graduate teachers.

Cabinet Office, S.W. 1,
5th September, 1961.